

Bermaz Auto (BAUTO MK)

2QFY26: Sequential Recovery Offset By Kia Malaysia Losses

Highlights

- 2QFY26 results came in below expectations due to higher-than-expected losses from Kia Malaysia.
- We cut our FY26-27 forecasts by 14%/4% to factor in higher losses from Kia Malaysia.
- Downgrade to HOLD with a higher target price of RM0.75.

2QFY26 Results

Year to 30 Apr (RMm)	2QFY26	qoq % chg	yoy % chg	1HFY26	yoy % chg	Comments
Revenue	556.5	13.3	-14.0	1,047.7	-30%	In line. Higher sales from Mazda 3 and CX-60.
EBIT	35.2	22.1	-35.9	64.0	-55%	
Associates	(6.6)	-28.8	-295.4	(16.0)	-213%	Widened losses from Kia Malaysia
PBT	28.4	49.9	-50.2	47.3	-69%	
Core PATMI	17.2	107.7	-57.4	25.5	-77%	Below expectations
Cars sold (units)	3,063	16.1	-19.7	5,701	-36%	
- Malaysia	2,766	27.2	-17.5	4,940	-38%	
- Philippines	297	-36.0	-35.6	761	-26%	
Margins		+/-ppt			+/-ppt	
EBIT	6.3	0.5	-2.2	6.1	-3.4	
Core Net Profit	3.1	1.4	-3.1	2.4	-5.0	

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

Analysis

- Below expectations.** Bermaz Auto (BAUTO) reported 2QFY26 PATMI of RM17.2m (+108% qoq, -57% yoy), bringing 1HFY26 PATMI to RM25.5m (-77% yoy). We deem the results below expectations, as 1HFY26 PATMI accounted for 28% of our FY26 forecast and 36% of consensus, mainly attributable to higher-than-expected losses from Kia Malaysia, despite revenue and EBIT being largely in line with our estimates.
- BAUTO declared a second interim dividend of 1.25 sen per share for the quarter.

Key Financials

Year to 30 Apr (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	3,911	2,622	2,195	2,207	2,197
EBITDA	473	249	156	173	172
Operating profit	446	222	126	144	144
Net profit (rep./act.)	356	163	75	105	109
Net profit (adj.)	356	163	75	105	109
EPS (sen)	30.6	14.0	6.4	9.1	9.3
PE (x)	2.3	5.0	10.9	7.7	7.5
P/B (x)	1.0	1.2	1.2	1.1	1.1
EV/EBITDA (x)	1.3	2.8	3.4	2.9	2.7
Dividend yield (%)	37.1	23.9	6.4	9.1	9.3
Net margin (%)	9.1	6.2	3.4	4.8	4.9
Net debt/(cash) to equity (%)	-37.1	-31.7	-53.5	-56.4	-59.5
Interest cover (x)	n.a.	n.a.	31.2	34.6	34.4
ROE (%)	45.1	23.0	10.4	14.3	14.4
Consensus net profit	-	-	70	94	104
UOBKH/Consensus (x)	-	-	1.07	1.12	1.04

Source: Bermaz Auto, Bloomberg, UOB Kay Hian

HOLD (Downgraded)

Share Price	RM0.70
Target Price	RM0.75
Upside	6.7%
Previous TP	RM0.66

Analyst(s)

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Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	BAUTO MK
Shares issued (m)	1,168
Market Cap (RMm)	826.4
Market Cap (US\$m)	200.6
3-mth avg turnover (US\$m)	1.0

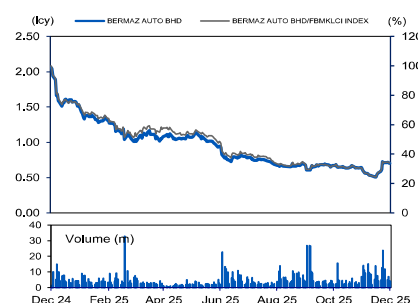
Price Performance (%)

52-week high/low		RM2.00/RM0.50		
1mth	3mth	6mth	1yr	YTD
11.9	2.2	(25.8)	(65.8)	(56.0)

Major Shareholders

	%
Dynamic Milestone Sdn Bhd	15.37
Amanah Saham Nasional Berhad	7.58
Lembaga Tabung Haji	6.87

Price Chart



Source: Bloomberg

Company Description

Bermaz Auto is involved in the distribution, assembling, retailing and also the provision of after sales service of Mazda vehicles in Malaysia. The group is also involved in distribution of locally assembled Mazda vehicles in Malaysia and the Philippines.

- **Improvement in sales volume.** Mazda recorded a higher sales volume of 2,282 units (+43% qoq) in 2QFY26, mainly driven by strong demand for new completely build up (CBU) models, Mazda 3 and CX-60, which subsequently helped PATMI to double qoq. However, sales of Mazda and Kia completely knock down (CKD) models, which are approaching the end of their product lifecycles, continued to fall in this quarter.
- **Widened losses for Kia Malaysia.** Losses from associate Kia Malaysia doubled qoq to RM7.8m, impacted by retroactive fees following lower-than-expected production volumes. Meanwhile, Innokom and MMSB turned profitable this quarter on higher vehicle sales.
- **Sales volume to continue trending higher.** We expect BAUTO to maintain sequential sales improvement throughout FY26, underpinned by deliveries of Mazda 3 and CX-60. The recent price adjustment on Mazda CKD models could enhance competitiveness and further support their sales volume. Based on channel checks, the current order backlog remains at 3,400 units (Mazda: 3,000 units, XPeng: 250 units, and BAP: 150 units), largely comprised of orders for the Mazda 3 1.5L, hence providing sales visibility for 2HFY26. Booking run rate remains positive at 1,500 units, supported by the new models. Overall, we maintain our FY26 sales assumption of 10,500 units, which is lower than the company's target of 12,600 units.

Valuation/Recommendation

- **Downgrade to HOLD with a higher target price of RM0.75 (from RM0.66),** as the recent share price appreciation provides limited upside to our revised target price. Our new target price is based on a higher 8.25x P/E, close to -0.5SD of 5-year mean (from 7x), pegged to FY27F earnings, reflecting our view that downside risks have been largely priced in and BAUTO should continue to deliver sequential improvement in its performance heading into FY27. While earnings may still be weighed down by Kia Malaysia, we see limited long-term impact as we expect BAUTO to eventually exit its involvement with Kia.

Earnings Revision/Risk

- **We have trimmed our FY26-27 forecasts by 14%/4%** to reflect higher losses from Kia Malaysia, as we expect this to persist in the near term, while the Kia distribution business may incur minimal losses during the transition period.

Share Price Catalyst

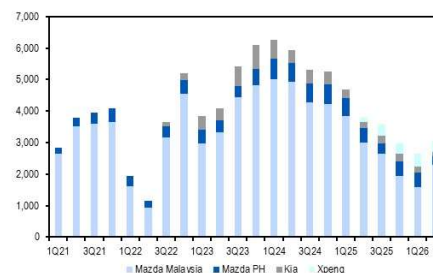
- Higher sales volume from Mazda and XPeng due to its refreshed line-up.
- Continued localisation of models in the Malaysian market.
- Lush dividend payout.

Key Assumptions

Financial Year	Malaysia (units)	Philippines (units)
2022	13,362	1,304
2023	19,688	1,682
2024	21,192	1,682
2025	13,687	1,779
2026F	10,500	1,606
2027F	10,600	1,591
2028F	10,500	1,578

Source: Bermaz Auto, UOB Kay Hian

Sales Volume By Brands



Source: Bermaz Auto, UOB Kay Hian

Environmental, Social And Governance (ESG) Updates

Environmental

- BAUTO supports the Republic Act 11285 (Energy Efficiency and Conservation Act), which institutionalises energy efficiency and conservation as a national way of life.

Social

- Mazda Medicare Fund dialysis programme channelled 100% of funds to charity.

Governance

- Complies with Malaysian code on Corporate Governance which requires independent directors (4 out of 7) to comprise the majority of the board.

Source: Bermaz Auto, UOB Kay Hian

Profit & Loss

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Net turnover	2,622	2,195	2,207	2,197
EBITDA	249	156	173	172
Deprec. & amort.	27	30	29	28
EBIT	222	126	144	144
Associate contributions	12	-16	5	10
Net interest income/(expense)	-3	-5	-5	-5
Pre-tax profit	231	105	144	149
Tax	-56	-25	-35	-36
Minorities	-12	-5	-4	-5
Net profit	163	75	105	109
Net profit (adj.)	163	75	105	109

Balance Sheet

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Fixed assets	46	34	22	13
Other LT assets	330	327	343	363
Cash/ST investment	434	464	502	543
Other current assets	722	677	681	678
Total assets	1688	1646	1681	1719
ST debt	226	101	101	101
Other current liabilities	361	401	400	400
LT debt	0	0	0	0
Other LT liabilities	369	370	370	371
Shareholders' equity	657	679	711	743
Minority interest	91	96	100	105
Total liabilities & equity	1702	1646	1681	1719

Cash Flow

Year to 30 Apr (RMm)	2025	2026F	2027F	2028F
Operating	206	204	136	139
Pre-tax profit	231	105	144	149
Tax	-75	-25	-35	-36
Deprec. & amort.	27	31	30	29
Associates	-12	16	-5	-10
Working capital changes	47	72	-4	2
Other operating cashflows	-12	5	5	5
Investing	70	-8	-8	-7
Capex (growth)	-10	-16	-16	-16
Investments	0	1	1	2
Proceeds from sale of assets	0	0	0	0
Others	79	7	7	7
Financing	-223	-189	-86	-88
Dividend payments	-345	-52	-74	-76
Issue of shares	3	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	163	-125	0	0
Others/interest paid	-44	-12	-12	-12
Net cash inflow (outflow)	53	7	42	44
Beginning cash & cash equivalent	365	434	437	475
Changes due to forex impact	16	24	24	25
Ending cash & cash equivalent	434	464	502	543

Key Metrics

Year to 30 Apr (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.5	7.1	7.8	7.8
Pre-tax margin	8.8	4.8	6.5	6.8
Net margin	6.2	3.4	4.8	4.9
ROA	9.4	4.4	6.1	6.2
ROE	23.0	10.4	14.3	14.4
Growth				
Turnover	-33.0	-16.3	0.5	-0.5
EBITDA	-47.4	-37.4	11.1	-0.6
Pre-tax profit	-53.2	-54.5	36.6	3.9
Net profit	-54.1	-54.2	40.8	2.9
Net profit (adj.)	-54.1	-54.2	40.8	2.9
EPS	-54.1	-54.2	40.8	2.9
Leverage				
Debt to total capital	30.2	13.0	12.5	11.9
Debt to equity	34.4	14.9	14.2	13.6
Net debt/(cash) to equity	-31.7	-53.5	-56.4	-59.5
Interest cover (x)	n.a.	31.2	34.6	34.4

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